

- **Centralize the collection of revenues in a single agency.** The Commission, by previous action, recommended that the state improve accounts receivable collections through the addition of a collection fee and by centralizing the efforts. In 2001, total accounts receivable were \$567 million (not including delinquent taxes). The Office of the State Controller notes, however, that only a fraction of this amount can be collected. Legislation was proposed, but did not pass in the 2002 legislative session. Moreover, the Commission recommends that the Office of State Controller and Department of Revenue devise a plan for the Department to collect more of the agency fees in order to streamline the process and take advantage of the Department's capacity and expertise in this manner. The Department already performs this function for some fees payable to the Secretary of State.
- **Assess the use of fees to recover costs.** The Commission supports the draft recommendation by the Commission to Modernize State Finances to require the State Budget Office to analyze the use of fees, especially the cost of collection and the fee payment related to the cost of service provision. Departments and agencies should study their own operations for opportunities to use appropriate fees and eliminate taxpayer subsidy where appropriate.
- **Invest in Department of Revenue efforts to improve taxpayer compliance.** The Department's Project Collect Tax, an effort to collect delinquent taxes, has met with great success. However, the Department needs additional resources to recover uncollected taxes in the underground economy and from non-filers and those who file fraudulent returns. Efforts to simplify the tax code will help avoid some compliance problems, but there are substantial issues with the current complicated tax code that the Department should explore for retroactive recovery.
- **Change the method of providing the sales tax preference for state and local governments from refunds to exemptions.** Currently each agency has to complete paperwork to recover its upfront payment of sales taxes, thereby complicating the process substantially. Eliminating the tax payment at the time of the sale would reduce administrative errors and burden at both the state and local government level.